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Turkey

Sugar

Semi-Annual

2003

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Report Highlights:
Weather conditions were normal for sugar beet production this last spring. However, during the summer months it hot and dry in some growing areas. Area planted and harvested, as well as sugar beet production for MY 2004 have been revised slightly downward. The beet sugar production estimate was also revised downward parallel to sugar beet production.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Ankara [TU1], TU

Weather conditions were normal for sugar beet production this past Spring. However, during the summer months it was hot and dry in some growing areas. Area planted and harvested, as well as sugar beet production for MY 2004 have been revised slightly downward. The beet sugar production estimate was also revised downward parallel to sugar beet production.

Sugar beet planting area decreased by about five percent as a result of uncertainty in the market. Farmers sign contracts with refineries on the basis of quantity rather than acreage. In order not to exceed contracted quantity, farmers had to make some assumptions on yields. Since the yields were high in MY 2003, most farmers assumed similar yields for this year. As a result, planted area for sugar beets was somewhat reduced. Hot and dry weather conditions in some growing areas during the summer, along with planted area decreases resulted in a six percent reduction in beet production.

In MY 2003, PANKOBIRLIK and the Turkish Sugar Corporation (TSC) announced a procurement base price of TL 74,000 per kilogram of sugar beets (for 16 percent polar sugar). Neither TSC nor PANKOBIRLIK has announced procurement prices for sugar beets this year, even though the harvest has started. The Prime Minister, however, stated that the procurement price will be TL 88,000 per kilogram (16 percent polar sugar). Although an official price has not been announced, this most likely will be the price. The new procurement base price is about 19 percent higher than the last year's while the annual rate of inflation for the last twelve months was around 25-30 percent.

In MY 2004, advance payments (primarily in-kind payments for seeds, fertilizer, etc.) were estimated to total about TL 16 trillion for the TSC and about TL 6 trillion for PANKOBIRLIK. Since TSC is expected to procure about 9.6 MMT and PANKOBIRLIK to procure about 3.6 MMT of sugar beets, the remaining payments (about TL 830 trillion for TSC and TL 310 trillion for PANKOBIRLIK) will be made to farmers through April 2004. Early beet yield estimates are approximately 42,000 kilograms per hectare and sugar yield estimates are 13 percent. Last year these yields were 44,600 kilogram and 13.7 percent, respectively.

TSC and PANKOBIRLIK set ex-factory prices for sugar separately in accordance with their production costs starting in MY 2003. The following table shows the ex-factory price of sugar, which has not been changed since April 1, 2003, announced by the TSC. [TL per kilogram, value-added tax (VAT) included since our last Annual Sugar Report (TU3007) dated April 2, 2003]

Type of Sugar	April 1, 2003
Crystal Sugar:	
- In 50 kilogram bags	1,512,000
Cube Sugar:	
- In 50 kilogram bags	1,642,680
- In 1 kilogram box (25 boxes)	1,736,640

(As of 9/30/03, USD 1.00 is approximately TL 1,390,000 compared to TL 1,720,000 on 4/1/03)

Privatization of the sugar plants owned by the TSC continue to be discussed within the government. According to some industry sources, privatization will begin in May 2004 and be completed by the end of the year. Since most of the refineries are old and inefficient, it is unlikely that most of these plants will be privatized. Some of these inefficient plants may be bought, however, because of their land holdings.

PANKOBIRLIK started the construction of a new sugar plant in Cumra/Konya in September 2003. The estimated cost of the project is about USD 120 million. When it is in full operation, it should process 15,000 MT of beets daily. It is also estimated that about 160,000 MT of sugar will be produced in a 120 day period. At the new plant, about 45,000 MT of molasses and 390,000 MT of wet meals are also expected to be produced in addition to sugar.

All beet-sugar production quotas were allocated to the TSC and PANKOBIRLIK. According to the distribution of the quota, TSC will produce 1,675,000 MT (1,821,000 MT raw value) and PANKOBIRLIK will produce 474,000 MT (515,000 MT raw value) of centrifugal sugar. TSC production quota was reduced in MY 2004 since there was some sugar in TSC stocks. In MY 2004, TSC is expected to produce 1,270,000 MT (or 1,380,000 MT raw value) of sugar. PANKOBIRLIK is also estimated to produce 455,000 MT (or 495,000 MT raw value) of sugar. Both of these quantities are lower than the assigned quota levels.

The production quotas for sugar or corn based sweeteners has not changed since March 2002. The quota for corn-based sweetener production is about 234,100 MT or 10 percent of the total for all sugar production. In MY 2003, the GOT temporarily increased this quota by a decree to 15 percent. There were some rumors in recent weeks a Council of Ministers' decree for a quota increase for corn-based sweetener producers in MY 2004 as well. No change has been announced yet, however, corn-based sweetener producers are expecting their quota will be again increased to 15 percent.

Quota allocations have pleased neither beet nor starch-based sweetener producers. Beet sugar producers will only receive the announced procurement price for their beets if they do not exceed their assigned production quotas. Any excess production must be exported and cannot be sold domestically. Payment for exported sugar will be based on world market prices, which are considerably less than domestic prices. The TSC will not procure any beets which exceed a farmer's quota by 25 percent. On the other hand, if a farmer produces a significantly lower quantity than he is assigned, his quota will be reduced for the following year.

Corn-based sweetener producers are also unhappy because the announced quota would force them to operate at about 40 percent of their capacity. Total capacity in this industry is currently around 900,000 MT.

PANKOBIRLIK published full page advertisements twice in Turkish daily newspapers in September in support of sugar beet and sugar production in Turkey. Advertisements also criticized the quota allocation for corn-based sweetener production. PANKOBIRLIK was supported by from the Chamber of the Agricultural Engineers, the Association of Agriculturists and the Union of Agricultural

Engineers. In response, corn-based sweetener producers published an advertisement to refuting the points made by PANKOBIRLIK and provided an explanation about the low cost of producing sweetener from corn. Their advertisements were supported by the Chambers of the Farmers Union in Cukurova, Soybean Association and food processors who use corn-based sweetener in their production.

According to official data which is available through May 2003, Turkey exported 115,507 MT (raw value) of sugar during the first nine months of MY 2003. The leading markets are in neighboring countries. Turkey is expected to export about 100 TMT of sugar to its eastern neighbors in MY 2004 since it has lower transportation costs. These exports still need to be subsidized by the GOT because export price will be lower than the cost of production.

Official stock data are not available. PS&D estimates are based on information received from both public and private sources. TSC carry over stocks were estimated to fall to a much lower level for emergency purposes compared to the previous years and PANKOBIRLIK eliminated almost all of its stocks.

The duty is 109.2 percent on the CIF value on sugar imports from the EU countries and 136.5 percent from all other origins.

Statistical Tables

PS&D Table for Sugar Beets

PSD Table						
Country	Turkey					
Commodity	Sugar Beets				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	359	359	372	372	330	315
Area Harvested	357	357	370	370	330	314
Production	12551	12633	16396	16396	14100	13200
TOTAL SUPPLY	12551	12633	16396	16396	14100	13200
Utilization for Sugar	12551	12633	16396	16396	14100	13200
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	12551	12633	16396	16396	14100	13200

PS&D Table for Centrifugal Sugar

PSD Table						
Country	Turkey					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		09/2001		09/2002		09/2003
Beginning Stocks	865	865	434	434	659	764
Beet Sugar Production	1796	1796	2345	2345	1950	1875
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	1796	1796	2345	2345	1950	1875
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	1	1	0	1	0	0
TOTAL Imports	1	1	0	1	0	0
TOTAL SUPPLY	2662	2662	2779	2780	2609	2639
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	378	378	220	116	0	100
TOTAL EXPORTS	378	378	220	116	0	100
Human Dom. Consumption	1850	1850	1900	1900	1950	1930
Other Disappearance	0	0	0	0	0	0
Total Disappearance	1850	1850	1900	1900	1950	1930
Ending Stocks	434	434	659	764	659	609
TOTAL DISTRIBUTION	2662	2662	2779	2780	2609	2639

Export Trade Matrix for Centrifugal Sugar

Export Trade Matrix			
Country	Turkey		
Commodity	Centrifugal Sugar		
Time period	Sep. - Aug.	Units:	Metric Tons
Exports for:	2002	Sep. 02-May 03	2003
U.S.	22	U.S.	4
Others		Others	
Georgia	70223	Georgia	69963
Azerbaijan	64254	Azerbaijan	6131
Syria	20544	Northern Cyprus	1827
Iran	20024	United Arab Em.	1462
Afghanistan	12042	France	323
Northern Cyprus	3632	Germany	228
Croatia	1304	Israel	167
Turkmenistan	1157	Yugoslavia	163
United Arab Em.	1109	Saudi Arabia	100
Egypt	1027	Lebanon	87
Total for Others	195316		80451
Others not Listed	182621		35052
Grand Total	377959		115507

Import Trade Matrix for Centrifugal Sugar

Import Trade Matrix			
Country	Turkey		
Commodity	Centrifugal Sugar		
Time period	Sep. - Aug.	Units:	Metric Tons
Imports for:	2002	Sep. 02-May 03	2003
U.S.	9	U.S.	7
Others		Others	
United Kingdom	633	United Kingdom	403
Germany	123	Germany	230
France	67	France	67
Italy	52	Italy	37
Spain	13	Spain	22
		Saudi Arabia	1
Total for Others	888		760
Others not Listed	175		96
Grand Total	1072		863